

HOUSE BILL NO. 801

INTRODUCED BY G. MACLAREN

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A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A ~~REFUNDABLE~~ TAX CREDIT FOR MEDICAL HEALTH INSURANCE PREMIUMS PAID BY A TAXPAYER, WHOSE GROSS HOUSEHOLD INCOME IS LESS THAN OR EQUAL TO 200% ~~150~~ PERCENT OF THE FEDERAL POVERTY LEVEL; ~~AMENDING SECTION 15-30-111, MCA;~~ AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. ~~Low-income credit~~ CREDIT for medical HEALTH care insurance payments

~~-- refund.~~ (1) (A) Subject to the conditions of this section, FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2006, AND BEFORE JANUARY 1, 2012, there is a tax credit against the taxes otherwise due under this chapter for premium payments made for insurance for medical care, as defined in 26 U.S.C. 213(d), INDIVIDUAL HEALTH INSURANCE COVERAGE, AS DEFINED IN 33-22-140, for coverage of the taxpayer and the taxpayer's spouse and dependents, ~~to the extent that premium payments are not covered or reimbursed by other sources, such as but not limited to a premium assistance payment made under Title 33, chapter 22, part 20~~

(B) THE FOLLOWING PREMIUM PAYMENTS DO NOT QUALIFY FOR THE CREDIT UNDER THIS SECTION:

(I) PREMIUM PAYMENTS FOR EXCEPTED BENEFITS, AS DEFINED IN 33-22-140;

(II) PREMIUM PAYMENTS MADE UNDER SUBCHAPTER XVIII, PARTS A THROUGH D, 42 U.S.C. 1395C THROUGH 1395GGG;

(III) PREMIUM PAYMENTS MADE UNDER SUBCHAPTER XIX, 42 U.S.C. 1396A THROUGH 1396V; OR

(IV) PREMIUM PAYMENTS THAT ARE COVERED OR REIMBURSED IN ANY AMOUNT BY OTHER SOURCES, INCLUDING SUBSIDIES OR ANOTHER TAX CREDIT ALLOWED UNDER THIS CHAPTER.

~~————(2) To qualify for the credit under this section, the taxpayer's total gross household income must be less than or equal to 200% 150% of the federal poverty level, as defined in 53-4-201, for the appropriate family unit size.~~

~~(3)(2)~~ (2) The amount of the credit is equal to 50% 20% of premium payments made for insurance for ~~medical~~ HEALTH care in the tax year.

~~(4)(3)~~ (3) If the credit allowed under subsection (1) is claimed, the amount of the deduction allowed or



1 allowable under this chapter for the amount that qualifies for the credit must be reduced by the dollar amount of  
 2 the credit allowed. A CREDIT MAY NOT BE CLAIMED FOR PREMIUMS PAID FROM A HEALTH OR MEDICAL SAVINGS ACCOUNT  
 3 WITH PRINCIPAL OR INTEREST THAT IS EXCLUDED FROM ADJUSTED GROSS INCOME.

4 ~~———— (5) If the amount of the credit exceeds the claimant's TAXPAYER'S liability under this chapter, the amount~~  
 5 ~~of the excess must be refunded to the claimant TAXPAYER. The credit may be claimed even though the claimant~~  
 6 ~~TAXPAYER has no income that is taxable under this chapter.~~

7 (4) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED THE TAXPAYER'S INCOME TAX LIABILITY, AND  
 8 THERE IS NO CARRYBACK OR CARRYFORWARD OF THE CREDIT PERMITTED UNDER THIS SECTION.

9 ~~(6)(5) THE CREDIT IS NOT ALLOWED FOR PART-YEAR RESIDENTS OR NONRESIDENTS OF THE STATE.~~

10 ~~———— (6)(7) For the purposes of this section:~~

11 ~~———— (a) "gross household income" has the meaning provided in 15-30-171; and~~

12 ~~———— (b) "income" has the meaning provided in 15-30-171.~~

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14 ~~———— **SECTION 2. SECTION 15-30-111, MCA, IS AMENDED TO READ:**~~

15 ~~———— **"15-30-111. Adjusted gross income.** (1) Adjusted gross income is the taxpayer's federal adjusted gross~~  
 16 ~~income as defined in section 62 of the Internal Revenue Code, 26 U.S.C. 62, and in addition includes the~~  
 17 ~~following:~~

18 ~~———— (a) (i) interest received on obligations of another state or territory or county, municipality, district, or other~~  
 19 ~~political subdivision of another state, except to the extent that the interest is exempt from taxation by Montana~~  
 20 ~~under federal law;~~

21 ~~———— (ii) exempt interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, 26 U.S.C.~~  
 22 ~~852(b)(5), that are attributable to the interest referred to in subsection (1)(a)(i);~~

23 ~~———— (b) refunds received of federal income tax, to the extent that the deduction of the tax resulted in a~~  
 24 ~~reduction of Montana income tax liability;~~

25 ~~———— (c) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal Revenue~~  
 26 ~~Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the income;~~

27 ~~———— (d) depreciation or amortization taken on a title plant as defined in 33-25-105;~~

28 ~~———— (e) the recovery during the tax year of an amount deducted in any prior tax year to the extent that the~~  
 29 ~~amount recovered reduced the taxpayer's Montana income tax in the year deducted;~~

30 ~~———— (f) if the state taxable distribution of an estate or trust is greater than the federal taxable distribution of~~

1 the same estate or trust, the difference between the state taxable distribution and the federal taxable distribution  
 2 of the same estate or trust for the same tax period; and  
 3 ~~—— (g) except for exempt interest dividends described in subsection (2)(a)(ii), for tax years commencing after~~  
 4 ~~December 31, 2002, the amount of any dividend to the extent that the dividend is not included in federal adjusted~~  
 5 ~~gross income:~~  
 6 ~~—— (2) Notwithstanding the provisions of the Internal Revenue Code, adjusted gross income does not~~  
 7 ~~include the following, which are exempt from taxation under this chapter:~~  
 8 ~~—— (a) (i) all interest income from obligations of the United States government, the state of Montana, or a~~  
 9 ~~county, municipality, district, or other political subdivision of the state and any other interest income that is exempt~~  
 10 ~~from taxation by Montana under federal law;~~  
 11 ~~—— (ii) exempt interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, 26 U.S.C.~~  
 12 ~~852(b)(5), that are attributable to the interest referred to in subsection (2)(a)(i);~~  
 13 ~~—— (b) interest income earned by a taxpayer who is 65 years of age or older in a tax year up to and including~~  
 14 ~~\$800 for a taxpayer filing a separate return and \$1,600 for each joint return;~~  
 15 ~~—— (c) (i) except as provided in subsection (2)(c)(ii), the first \$3,600 of all pension and annuity income~~  
 16 ~~received as defined in 15-30-101;~~  
 17 ~~—— (ii) for pension and annuity income described under subsection (2)(c)(i), as follows:~~  
 18 ~~—— (A) each taxpayer filing singly, head of household, or married filing separately shall reduce the total~~  
 19 ~~amount of the exclusion provided in subsection (2)(c)(i) by \$2 for every \$1 of federal adjusted gross income in~~  
 20 ~~excess of \$30,000 as shown on the taxpayer's return;~~  
 21 ~~—— (B) in the case of married taxpayers filing jointly, if both taxpayers are receiving pension or annuity~~  
 22 ~~income or if only one taxpayer is receiving pension or annuity income, the exclusion claimed as provided in~~  
 23 ~~subsection (2)(c)(i) must be reduced by \$2 for every \$1 of federal adjusted gross income in excess of \$30,000~~  
 24 ~~as shown on their joint return;~~  
 25 ~~—— (d) all Montana income tax refunds or tax refund credits;~~  
 26 ~~—— (e) gain required to be recognized by a liquidating corporation under 15-31-113(1)(a)(ii);~~  
 27 ~~—— (f) all tips or gratuities that are covered by section 3402(k) or service charges that are covered by section~~  
 28 ~~3401 of the Internal Revenue Code of 1954, 26 U.S.C. 3402(k) or 3401, as amended and applicable on January~~  
 29 ~~1, 1983, received by persons a person for rendering services rendered by them to patrons of premises licensed~~  
 30 ~~to provide food, beverage, or lodging;~~

- 1 ~~———(g) all benefits received under the workers' compensation laws;~~
- 2 ~~———(h) all health insurance premiums paid by an employer for an employee if attributed as income to the~~  
3 ~~employee under federal law;~~
- 4 ~~———(i) all money received because of a settlement agreement or judgment in a lawsuit brought against a~~  
5 ~~manufacturer or distributor of "agent orange" for damages resulting from exposure to "agent orange";~~
- 6 ~~———(j) principal and income in a medical care savings account established in accordance with 15-61-201~~  
7 ~~or withdrawn from an account for eligible medical expenses, as defined in 15-61-102, of the taxpayer or a~~  
8 ~~dependent of the taxpayer or for the long-term care of the taxpayer or a dependent of the taxpayer;~~
- 9 ~~———(k) principal and income in a first-time home buyer savings account established in accordance with~~  
10 ~~15-63-201 or withdrawn from an account for eligible costs, as provided in 15-63-202(7), for the first-time purchase~~  
11 ~~of a single-family residence;~~
- 12 ~~———(l) contributions withdrawn from a family education savings account or earnings withdrawn from a family~~  
13 ~~education savings account for qualified higher education expenses, as defined in 15-62-103, of a designated~~  
14 ~~beneficiary;~~
- 15 ~~———(m) the recovery during the tax year of any amount deducted in any prior tax year to the extent that the~~  
16 ~~recovered amount did not reduce the taxpayer's Montana income tax in the year deducted;~~
- 17 ~~———(n) if the federal taxable distribution of an estate or trust is greater than the state taxable distribution of~~  
18 ~~the same estate or trust, the difference between the federal taxable distribution and the state taxable distribution~~  
19 ~~of the same estate or trust for the same tax period;~~
- 20 ~~———(o) deposits, not exceeding the amount set forth in 15-30-603, deposited in a Montana farm and ranch~~  
21 ~~risk management account, as provided in 15-30-601 through 15-30-605, in any tax year for which a deduction~~  
22 ~~is not provided for federal income tax purposes;~~
- 23 ~~———(p) income of a dependent child that is included in the taxpayer's federal adjusted gross income pursuant~~  
24 ~~to the Internal Revenue Code. The child is required to file a Montana personal income tax return if the child and~~  
25 ~~taxpayer meet the filing requirements in 15-30-142.~~
- 26 ~~———(q) principal and income deposited in a health care expense trust account, as defined in 2-18-1303, or~~  
27 ~~withdrawn from the account for payment of qualified health care expenses as defined in 2-18-1303; and~~
- 28 ~~———(r) that part of the refundable credit provided in section 1 or 33-22-2006 that reduces Montana tax below~~  
29 ~~zero.~~
- 30 ~~———(3) A shareholder of a DISC that is exempt from the corporation license tax under 15-31-102(1)(l) shall~~

1 include in the shareholder's adjusted gross income the earnings and profits of the DISC in the same manner as  
2 provided by section 995 of the Internal Revenue Code, 26 U.S.C. 995, for all periods for which the DISC election  
3 is effective.

4 ~~———— (4) A taxpayer who, in determining federal adjusted gross income, has reduced the taxpayer's business  
5 deductions by an amount for wages and salaries for which a federal tax credit was elected under sections 38 and  
6 51(a) of the Internal Revenue Code, 26 U.S.C. 38 and 51(a), is allowed to deduct the amount of the wages and  
7 salaries paid regardless of the credit taken. The deduction must be made in the year that the wages and salaries  
8 were used to compute the credit. In the case of a partnership or small business corporation, the deduction must  
9 be made to determine the amount of income or loss of the partnership or small business corporation.~~

10 ~~———— (5) Married taxpayers filing a joint federal return who are required to include part of their social security  
11 benefits or part of their tier 1 railroad retirement benefits in federal adjusted gross income may split the federal  
12 base used in calculation of federal taxable social security benefits or federal taxable tier 1 railroad retirement  
13 benefits when they file separate Montana income tax returns. The federal base must be split equally on the  
14 Montana return.~~

15 ~~———— (6) A taxpayer receiving retirement disability benefits who has not attained 65 years of age by the end  
16 of the tax year and who has retired as permanently and totally disabled may exclude from adjusted gross income  
17 up to \$100 a week received as wages or payments in lieu of wages for a period during which the employee is  
18 absent from work due to the disability. If the adjusted gross income before this exclusion exceeds \$15,000, the  
19 excess reduces the exclusion by an equal amount. This limitation affects the amount of exclusion, but not the  
20 taxpayer's eligibility for the exclusion. If eligible, married individuals shall apply the exclusion separately, but the  
21 limitation for income exceeding \$15,000 is determined with respect to the spouses on their combined adjusted  
22 gross income. For the purpose of this subsection, "permanently and totally disabled" means unable to engage  
23 in any substantial gainful activity by reason of any medically determined physical or mental impairment lasting  
24 or expected to last at least 12 months.~~

25 ~~———— (7) Married taxpayers who file a joint federal return and who make an election on the federal return to  
26 defer income ratably for 4 tax years because of a conversion from an IRA other than a Roth IRA to a Roth IRA,  
27 pursuant to section 408A(d)(3) of the Internal Revenue Code, 26 U.S.C. 408A(d)(3), may file separate Montana  
28 income tax returns to defer the full taxable conversion amount from Montana adjusted gross income for the same  
29 time period. The deferred amount must be attributed to the taxpayer making the conversion.~~

30 ~~———— (8) An individual who contributes to one or more accounts established under the Montana family~~

1 education savings program may reduce adjusted gross income by the lesser of \$3,000 or the amount of the  
 2 contribution. In the case of married taxpayers, each spouse is entitled to a reduction, not in excess of \$3,000, for  
 3 the spouses' contributions to the accounts. Spouses may jointly elect to treat half of the total contributions made  
 4 by the spouses as being made by each spouse. The reduction in adjusted gross income under this subsection  
 5 applies only with respect to contributions to an account of which the account owner, as defined in 15-62-103, is  
 6 the taxpayer, the taxpayer's spouse, or the taxpayer's child or stepchild if the taxpayer's child or stepchild is a  
 7 Montana resident. The provisions of subsection (1)(c) do not apply with respect to withdrawals of contributions  
 8 that reduced adjusted gross income.

9 ~~———— (9) (a) A taxpayer may exclude the amount of the loan payment received pursuant to subsection~~  
 10 ~~(9)(a)(iv), not to exceed \$5,000, from the taxpayer's adjusted gross income if the taxpayer:~~

11 ~~———— (i) is a health care professional licensed in Montana as provided in Title 37;~~

12 ~~———— (ii) is serving a significant portion of a designated geographic area, special population, or facility~~  
 13 ~~population in a federally designated health professional shortage area, a medically underserved area or~~  
 14 ~~population, or a federal nursing shortage county as determined by the secretary of health and human services~~  
 15 ~~or by the governor;~~

16 ~~———— (iii) has had a student loan incurred as a result of health-related education; and~~

17 ~~———— (iv) has received a loan payment during the tax year made on the taxpayer's behalf by a loan repayment~~  
 18 ~~program described in subsection (9)(b) as an incentive to practice in Montana.~~

19 ~~———— (b) For the purposes of subsection (9)(a), a loan repayment program includes a federal, state, or~~  
 20 ~~qualified private program. A qualified private loan repayment program includes a licensed health care facility, as~~  
 21 ~~defined in 50-5-101, that makes student loan payments on behalf of the person who is employed by the facility~~  
 22 ~~as a licensed health care professional. (Subsection (2)(f) terminates on occurrence of contingency--sec. 3, Ch.~~  
 23 ~~634, L. 1983; subsection (2)(o) terminates on occurrence of contingency--sec. 9, Ch. 262, L. 2001.)"~~

24  
 25 **NEW SECTION. Section 2. Codification instruction.** [Section 1] is intended to be codified as an  
 26 integral part of Title 15, chapter 30, part 1, and the provisions of Title 15, chapter 30, part 1, apply to [section 1].

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 28 **NEW SECTION. Section 3. Effective date.** [This act] is effective on passage and approval.

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 30 **NEW SECTION. Section 4. Retroactive applicability.** [This act] applies retroactively, within the

1 meaning of 1-2-109, to tax years beginning after December 31, 2006.

2 - END -